

**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE  
FOR THE STATE OF TENNESSEE AT NASHVILLE**

IN THE MATTER OF: )

D.H. BLAIR & CO., INC.,

CASE NO 99-002

RESPONDENT )

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**ORDER AMENDING CONSEN ORDER**

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THIS MATTER comes before the Commissioner of Commerce and Insurance, by and through the Securities Division (the "Division"), pursuant to the authority granted by the Tennessee Securities Act of 1980, as codified at Tennessee Code Annotated §48-2-101 et seq (the "Act"). On the motion of the Division, and with the agreement of the Respondent, the Commissioner hereby amends the Findings of Fact, Conclusions of law and Consent Order ("Consent Order"), entered in this matter on the 9<sup>th</sup> day of February, 1999, as follows

On October 5, 1998, D.H. Blair & Co., Inc. ("D.H. Blair") entered into an Agreement with the state securities officials conducting the multi-state coordinated review ("Multi-state Committee"), wherein D.H. Blair agreed to voluntarily segregate a claims fund in the amount of two million two hundred fifty thousand dollars (\$2,250,000.00) to be deposited in escrow to resolve claims of certain investors pursuant to a mediation/ arbitration process through the National Association of Securities Dealers Regulation, Inc. ("NASDR")

2. On February 9, 1999, the Commissioner of Commerce and Insurance accepted and entered a Consent Order, the terms of which memorialized the proposal by the Division and D.H. Blair to resolve issues related to violations of the Act, which are neither admitted nor denied

by D.H. Blair, by participating in the agreement negotiated by the Multi-state Committee. A copy of the agreement was attached to the Consent Order as Exhibit A and was incorporated into the order by reference. As a result,

D. H. Blair was ordered to make available to their former clients who are Tennessee residents, the fund and accrued interest, less escrow costs, for resolution of claims, subject to the terms of the Agreement

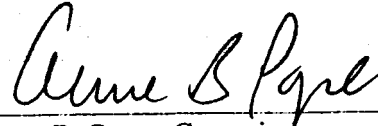
3 On or around December , 1999, D. H. Blair entered into an Amendment to the Agreement ("Amendment") with the Multi-state Committee. The Amendment made technical and procedural changes regarding the claims process, including:

- a. Providing claimants with ninety (90) days from the date of the notice to postmark claims, rather than sixty (60) days from the date of receipt;
- b. Providing D. H. Blair with ninety (90) days from the close of the period for claims to be filed within which to negotiate settlements before claims are submitted to the NASDR for arbitration; and
- c. Including with the Form of Notice, a claims form for claimants to provide pertinent information relative to their claims.

4 The terms of the Amendment are appropriate, in the public interest and necessary for the protection of investors. A copy of the Amendment is attached hereto as Exhibit and incorporated herein by reference.

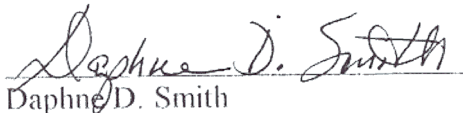
IT IS THEREFORE ORDERED that the Consent Order dated February 9, 1999, be amended to incorporate the terms of the Amendment. All other terms of the Consent Order shall remain effective and enforceable.

EXECUTED this the 14 day of April, 2000.

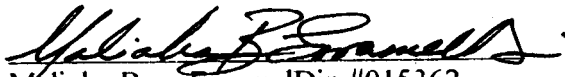


Anne B. Pope, Commissioner  
Department of Commerce and Insurance

APPROVED FOR ENTRY:



Daphne D. Smith  
Assistant Commissioner for Securities



Maliaka Bass EssamelDin #015362  
Attorney for the Securities Division  
Department of Commerce and Insurance

## AMENDMENT TO AGREEMENT

OCT 20

This Amendment (the "Amendment"), between D.H. Blair & Co., Inc. ("D.H. Blair"), and the undersigned state securities officials representing the securities divisions in their respective states of Indiana, Connecticut, and Missouri. (the "States") is made effective as of the date of the last signature hereon, to amend that Agreement (the "Original Agreement") last dated October 5, 1998, among D.H. Blair and the States. Unless the context shall otherwise require or as specifically defined in this Amendment, capitalized terms used herein shall have the meanings ascribed to them in the Original Agreement.

WHEREAS, Section I of the Original Agreement provides for a NASDR Mediation/Arbitration Process; and

WHEREAS, the parties desire to amend certain procedural provisions found in the Original Agreement regarding the timing of the NASDR Mediation/Arbitration Process and to incorporate these amendments along with other clarifications in the Notice attached as Exhibit C to the Original Agreement,

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, conditions and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby amend the Original Agreement and agree as follows:

1. Subsection I.B of the Original Agreement is amended at paragraph 1 by deleting the words beginning in line 1 "twenty (20) days after a state executes the Model Consent Order, subject to D.H. Blair having funded" and replacing it with the words "thirty (30) days after funding of"; and by deleting the words in line 4 "that state" and substituting the words "all states executing the Model Consent Order or otherwise settling with D.H. Blair consistent with the terms of the Model Consent Order".
2. Subsection I.B. of the Original Agreement is amended at paragraph 2 by deleting the words in line 4 "within sixty (60) days from receipt" and substituting the words "postmarked within ninety (90) days of the date".
3. Subsection I.B. of the Original Agreement is amended at paragraph 3 by deleting the words beginning in line 2 "thirty (30) days" and substituting the words "ninety (90) days after the close of the period customers have to file a claim".
4. Subsection I.B. of the Original Agreement is amended at paragraph 11 by deleting the words beginning in line 2 "by June 30, 1999; however, no assurance can be provided that the med/arb program will close by that that date".
5. The Original Agreement is amended in the following lines by adding the words "or otherwise has settled with D.H. Blair consistent with the terms of the Model Consent Order" after the words "Model Consent Order": a) at Subsection I.A. line 2, b) at Subsection I.B. lines 2 and 6, and

c) at Section II. line 3; and at Section III line 1 after the words "Model Consent Order by a State" by adding the words "or a settlement consistent with the terms of the Model Consent Order".

6. The Original Agreement is amended by deleting Exhibit C thereto and replacing it with a new Exhibit C in the form attached hereto as "Exhibit C", which the parties agree will be effective for all purposes under the Original Agreement, as amended by this Amendment.

7. Except as specifically amended or modified by this Amendment, the terms and conditions of the Original Agreement shall remain unimpaired, unaffected, and unchanged in every particular as set forth in the Original Agreement.

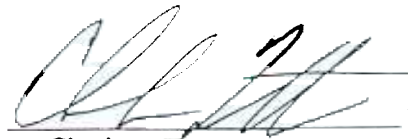
8. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to the Original Agreement as of the day and year last below written.

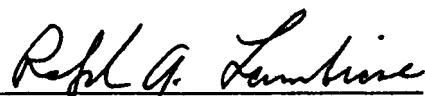
 (SEAL)  
Bradley W. Skolnik  
Indiana Securities Commissioner

Date: October 14, 1999

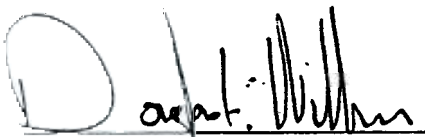
D. H. Blair & Co., Inc.

By:  (SEAL)  
Charlene Trotter  
Vice President

Date: 12/1/99

 (SEAL)  
Ralph A. Lambiase  
Connecticut Securities Director

Date: October 26, 1999

 (SEAL)  
Douglas F. Wilburn  
Missouri Commissioner of Securities

Date: October 21, 1999

**EXHIBIT C**  
**FORM OF NOTICE**

\_\_\_\_\_, 1999

Dear Former D.H. Blair Client

D.H. Blair & Co., Inc. ("D.H. Blair") and certain state securities regulators acting through the auspices of the North American Securities Administrators Association, Inc. ("NASAA"), have agreed to an expedited mediation/arbitration process for customer disputes. This process makes available to residents of certain states which have entered a settlement with D.H. Blair, the opportunity to file a complaint with D.H. Blair, and to share in a portion of a \$2,250,000.00 fund established as a result of the state settlement.

In order to be eligible to participate in a share of this fund, a D.H. Blair client must base his or her complaint on trades, which the client claims were somehow inappropriate, between January 1, 1996 and June 30, 1998. You shall have the sole right to determine whether or not you wish to participate in this expedited mediation/arbitration process. You will be required to acknowledge that any award or mediated settlement in the mediation/arbitration process may be reduced to allow all other Claimants to participate in a pro-rata share of the settlement fund and that such award or mediated settlement (after proration if necessary) will be final. However, first D.H. Blair will be provided an opportunity to settle your claim without proration as described below.

Should you wish to participate in the mediation/arbitration process, you must file a claim and execute the enclosed Mediation/Arbitration Submission Agreement within ninety (90) days from the date of this Notice ("Claim Period"). Your claim must include a concise detailed narrative (prepared by yourself or with the participation of your attorney) which specifies: (1) your account number(s) for all accounts you have held at D.H. Blair; (2) the nature of your claim against D.H. Blair; (3) the trades in question; (4) and any amount you claim you have lost as a result of the alleged wrongdoing by D.H. Blair. You should also include any and all documents that are pertinent to the issue and that you would like the mediator to review. A Claims Form is enclosed for your convenience. Please return the completed Claims Form and

the Mediation/Arbitration Submission Agreement to D.H. Blair, Inc., Mediation /Arbitration, 80 Pine Street, 14<sup>th</sup> Floor, New York, New York 10005. Your Claims Form and Mediation/Arbitration Submission Agreement must be postmarked no later than 90 days from the date of this Notice.

Execution of a Mediation/Arbitration Submission Agreement by you shall indicate acceptance of the mediation/arbitration process as described herein, and in the Mediation/Arbitration Submission Agreement, and shall make the mediation/arbitration process binding on all parties. Thereafter, D.H. Blair will have 90 days from the expiration of the Claim Period within which to settle your claim. If you accept a settlement offer, you will be required to execute an appropriate settlement and release and you will be paid the full settlement amount you have agreed upon (which will not be subject to proration). If your claim cannot be resolved within 90 days from the expiration of the Claim Period, your claim will be forwarded to the National Association of Securities Dealers Regulation, Inc. ("NASDR") and you will be notified of the scheduled mediation/arbitration hearing described below.

If you have a litigation or arbitration pending against D.H. Blair, you may elect to participate in mediation/arbitration process subject to a dismissal of your pending claim. However, your new mediation/arbitration claim will proceed directly to the mediation/arbitration hearing without further settlement opportunity.

#### **NASDR Mediation/Arbitration Program**

D.H. Blair will bear all administrative costs associated with the mediation/arbitration. This mediation/arbitration program (hereinafter "Med/Arb Program") will employ a hybrid form of mediation known as "med/arb." This process is designed to allow the parties to come to a mutually agreeable resolution of their differences; if you cannot do so, the process assures that the case, nevertheless, will reach a final resolution. The first portion of the med/arb is the mediation portion. This portion is conducted like a regular mediation. The mediator will listen to each party discuss its position, will talk to the parties together and separately (in the mediator's discretion), will ask each party to describe evidence and testimony which supports its position, and will attempt to assist the parties in arriving at a mutually agreeable settlement. The mediation portion of the med/arb will last no more than 4 hours, and may last a shorter period, in the mediator's discretion.

You will be permitted to file a memorandum, not to exceed ten pages (exclusive of documentary evidence, which also may be filed), describing your case. This memorandum will be due approximately 3 weeks prior to the scheduled mediation session. D.H. Blair will be permitted to file a memorandum, not to exceed ten pages (exclusive of documentary evidence, which also may be filed), in response to your memorandum. This memorandum will be due approximately 2 weeks prior to the scheduled mediation hearing. If the NASDR determines, at its sole discretion, that a case is unusually long or complex, it may alter the document length and time frames stated above. For these complex or lengthy cases, the format will be followed as stated above, except that the memoranda filed may be up to twenty pages in length; the "mediation" portion of the med/arb may be up to 6 hours in duration, and the "arbitration" portion of the med/arb may be up to 2 hours in length.

The NASDR will form a pool of mediators who are familiar with and have agreed to participate in this Med/Arb Program. A given mediator may conduct up to 20 D.H. Blair med/arb hearings. The NASDR will appoint a mediator from the mediator pool to hear each case. The parties will receive a mediator disclosure report for the appointed mediator which lists the mediator's background, education, experience, areas of expertise and conflicts. Each party will have unlimited challenges for cause which can be exercised at any time, and one peremptory challenge which must be exercised within 5 business days of receipt of the mediator's disclosure report.

At any time prior to the med/arb hearing, you may still agree to settle your claim with D.H. Blair without proceeding to the hearing subject to an appropriate settlement and release agreement. A settlement with D.H. Blair that is not reached as a result of mediation will not be subject to proration. This option will not be available to claimants of prior litigation or arbitration that opted into the mediation/arbitration program, as discussed above. If a settlement is reached by the parties in the mediation portion of the hearing, the case is at an end. The settlement will be considered final and binding, and will be payable by the dedicated escrow fund, subject to proration as described hereinbelow. If the parties are unable to reach a mutually agreeable settlement, the mediator will ask the parties to submit, in sealed envelopes, their "last best offer." This figure is, for D.H. Blair, the highest amount it is willing to pay to you; for you, it is the lowest amount you are willing to accept from D.H. Blair.

The mediator will then look at the figures privately. If there is an overlap in the figures--that is, if you state that you are willing to accept from D.H. Blair less than D.H. Blair states that it is willing to pay you--the mediator will explain the situation to the parties and work out a settlement between the parties (which presumably will be agreed to). If D.H. Blair's last best offer is lower than yours, the mediator will reveal both numbers to the parties. The mediator will instruct the parties that, if the med/arb proceeds to the arbitration portion, s/he will select one of the two damage figures submitted by the parties, and that the figure chosen will be the amount awarded as damages in the case (subject to the pro-rata distribution, described below.)

This method of arriving at a damages calculation is known as the "high/low" or "baseball" method. It is designed to ensure that both parties have incentive to make the most reasonable estimate of the damages incurred by you. If you ask for damages which are too high and unsupported by the evidence presented in the summary proceeding, the mediator will likely choose D.H. Blair's damage figure instead; likewise, if D.H. Blair submits a figure which is unrealistically low, the mediator will be more likely to choose your figure. A party submitting an unrealistic damage figure runs the risk of having his/her submission rejected. After the last best offers are revealed and the mediator re-instructs the parties on the fact that s/he will choose one of the two damages figures after the arbitration portion is conducted, the parties may decide to settle the case for an amount in the range between the figures rather than proceed to the arbitration portion. If the parties do not settle, they will proceed to the arbitration portion of the med/arb. The arbitration portion will be conducted and decided by the same mediator who conducted the mediation portion.



The arbitration portion will be a "modified" summary arbitration. Each side will have 30 minutes to present its initial case. No witnesses will be presented. Rather, each side will present a summary consisting of descriptions of testimony that witnesses would have provided, had they testified. Each side will also be permitted to submit and describe documentary evidence (which may already have been submitted for the mediation portion). While the rules of evidence will not strictly apply, and there will be no evidentiary objections, the mediator may take into consideration in making his/her decision the fact that certain testimony or documentary evidence may have been excluded in a "traditional" arbitration. Each side will then have 10 minutes to respond to the other side's presentation and to provide a closing statement. At the conclusion of the presentations, the mediator will choose one of the "last best offers." The mediator will then advise the parties which of the two figures s/he has chosen to award as damages. The amount awarded is recorded and set aside until a date (to be determined) after all of the D.H. Blair med/arbs have concluded.

All awards and mediated settlements rendered by mediators to Claimants of the D.H. Blair Med/Arb Program, will be paid **pro-rata** from the D.H. Blair escrow fund. The fund will consist of \$2,250,000.00, to be deposited by D.H. Blair in an escrow account, and any interest accruing on that account until the date all of the D.H. Blair med/arb awards and mediated settlements are paid, less any escrow costs and nonmediated settlements negotiated with D.H. Blair. After all of the D.H. Blair med/arb awards and mediated settlements have been determined and the amounts recorded, these amounts will be totaled. If the fund is sufficient to pay all of the med/arb awards and mediated settlements, each award will be paid in full. If the fund is insufficient to pay all of the med/arb awards and mediated settlements in full, each claimant receiving an award or mediated settlement will be paid a pro-rata share of the fund in full discharge of the med/arb award or mediated settlement.

All awards and settlements made in the D.H. Blair med/arb program and paid from the D.H. Blair escrow fund, will be considered final and not subject to reconsideration or appeal.

D.H. Blair is pleased to be able to offer this process to its former clients. Should you have any questions, please feel free to contact National Association of Securities Dealers Regulation, Inc., 33 Whitehall Street, New York, New York, 10004, ATTENTION: Kenneth Andrichik, Mediation Director.

Sincerely,

D.H. Blair & Co., Inc.

Enclosures

**D. H. BLAIR & CO., INC.**

**CLAIMS FORM**

**CONTACT INFORMATION**

**ACCOUNT INFORMATION**

|               |       |                     |       |
|---------------|-------|---------------------|-------|
| Name:         | _____ | Account Name:       | _____ |
|               |       | (if different)      | _____ |
| Address       | _____ | Account Address     | _____ |
|               | _____ | (if different)      | _____ |
|               | _____ |                     | _____ |
|               | _____ |                     | _____ |
| Email Address | _____ | Account No.         | _____ |
|               |       | (list all accounts) | _____ |
|               |       |                     | _____ |
|               |       |                     | _____ |
| Telephone No  | _____ |                     | _____ |
|               |       |                     | _____ |
| Fax No:       | _____ | Broker Servicing    | _____ |
|               |       | Your Account        | _____ |

*Please provide a detailed statement of your claim on the lines provided below and on the reverse side of this page. If you do not wish to file a claim, please disregard this Claim Form. If you file a claim, please refer to the letter accompanying this Claim Form for details. This Claim Form is for the use of the addressee on the envelope only. It is important to complete the above questions as accurately as possible. You must explain your claim below in order for your claim to be considered. Be sure to refer to the specific trades in your account of which you have a complaint. You may provide as much detail as appropriate and attach copies of any documents you wish to have considered. Be sure to sign and date this Claim Form on the reverse side. Thank you.*

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\_\_\_\_\_

Lined area for text entry.

Date

Your Signature

Signature of Joint Accountholder  
(if applicable)

Additional pages can be attached to this Claims Form. Please return this Claims Form along with an executed Mediation/Arbitration Submission Agreement to:

D. H. Blair & Co., Inc.  
Mediation/Arbitration  
80 Pine Street, 14<sup>th</sup> Floor  
New York, NY 10005